

2018

# Effect of marketing mix strategies on export performance of avocado firms in Kenya

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**Effect of Marketing Mix Strategies on Export Performance of Avocado  
Firms in Kenya**

**By**

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**A thesis submitted in partial fulfillment of the requirements for the  
degree of Master of commerce of Strathmore University**

**School of Management and Commerce,  
Strathmore University**

**June, 2018**

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## **ABSTRACT**

The agribusiness sector contributes immensely to the Kenya's economic growth, the key achievement of desired development goals and the realization of the vision 2030. Horticulture in Kenya is the third largest foreign exchange earner and contributed Sh. 85 billion in 2015. It is a sub-sector that shows promise of further growth. As competition in the global horticultural markets intensifies, firms are deploying strategies that will create sustainable advantages against their rivals and succeed in improving export performance. Drawing from the Resource Based View (RBV) this study sought to examine the influence of the various marketing mix strategies on export performance of avocado fruit firms in Kenya. Primary data on export strategies was collected from using questionnaires delivered to 66 active avocado exporters and assessed their export performance for the period between 2014 and 2016. Secondary data on export performance of each respondent in the questionnaire was obtained from Kephis. Descriptive statistics, correlational analysis, univariate and multiple regression analysis were used to analyze the data. The study established that product; promotion, place, and price strategies positively significantly influenced export performance individually, while promotion attributes had a negative but not a significant influence export performance when considered jointly with the other marketing capabilities. Product strategy was found to be the most influential of all the market mix strategies. These findings suggest policy makers and management should adopt a market-oriented strategy, and package and deploy resources to increase the export performance of firms in this sector. Specifically, it proposes that stakeholders should improve their product strategy most in order to address the competitiveness of the international markets.

## TABLE OF CONTENTS

|  |      |
|--|------|
| DECLARATION AND APPROVAL .....   | i    |
| ABSTRACT .....   | ii   |
| LIST OF FIGURES .....  | vi   |
| LIST OF TABLES .....   | vii  |
| ACKNOWLEDGEMENTS .....   | viii |
| DEDICATION .....   | ix   |
| CHAPTER ONE .....  | 1    |
| INTRODUCTION .....   | 1    |
| 1.1 Background of the study .....  | 1    |
| 1.1.1 Agribusiness in Kenya and the place of the avocado export business ..... | 1    |
| 1.1.2 Export Performance .....   | 4    |
| 1.3 Statement of the problem .....   | 8    |
| 1.4 Research objectives .....  | 10   |
| 1.4.1 General objective .....  | 10   |
| 1.4.2 Specific objectives .....  | 10   |
| 1.5 Research questions .....   | 10   |
| 1.6 Justification of the study .....   | 11   |
| 1.7 Scope of the study .....   | 11   |
| CHAPTER TWO .....  | 12   |
| LITERATURE REVIEW .....  | 12   |
| 2.1 Introduction .....   | 12   |
| 2.2 Theoretical framework .....  | 12   |
| 2.2.2 The Marketing Mix Theory .....   | 14   |
| 2.3 Marketing mix strategies and export performance .....                      | 17   |
| 2.3.1 Product strategy and export performance .....                            | 17   |
| 2.3.2 Promotion (Communication) strategy and Export Performance .....          | 20   |
| 2.3.3 Place (Distribution) strategy and Export performance .....               | 22   |
| 2.3.4 Pricing strategy and Export Performance .....                            | 24   |
| 2.3.6 Measuring Export performance .....                                       | 26   |

|   |    |
|---|----|
| 2.4 Conceptual Framework.....                                 | 27 |
| CHAPTER THREE.....  | 30 |
| RESEARCH METHODOLOGY.....                                     | 30 |
| 3.1 Introduction.....   | 30 |
| 3.2 Research design.....                                      | 30 |
| 3.3 Population and sampling.....                              | 31 |
| 3.4 Data collection methods.....                              | 31 |
| 3.5 Data analysis .....                                       | 32 |
| 3.6 Research Quality.....                                     | 34 |
| 3.6.1 Internal validity .....                                 | 34 |
| 3.6.2 External validity .....                                 | 34 |
| 3.6.3 Reliability .....                                       | 35 |
| 3.6.4 Objectivity .....                                       | 35 |
| 3.7 Ethical Issues in Research.....                           | 35 |
| CHAPTER FOUR .....  | 37 |
| RESEARCH FINDINGS AND ANALYSIS.....                           | 37 |
| 4.1 Introduction.....   | 37 |
| 4.2 Results of the questionnaire.....                         | 37 |
| 4.2.1 Response Rate.....                                      | 37 |
| 4.3 General Research Findings on the Avocado Sub-sector ..... | 38 |
| 4.3.1 Export performance .....                                | 39 |
| 4.3.2 Product strategies.....                                 | 40 |
| 4.3.3 Promotion strategy .....                                | 42 |
| 4.3.3 Place strategy .....                                    | 42 |
| Table 4.3.8Table 4.6 Average number of distributors .....     | 42 |
| 4.3.5 Price strategy.....                                     | 43 |
| 4.4 Diagnostic tests.....                                     | 44 |
| 4.4.1 Test for auto-correlation.....                          | 44 |
| 4.4.2 Test for Multicollinearity.....                         | 44 |
| 4.4.3 Test for heteroscedasticity.....                        | 45 |
| 4.4.4 Test for normality .....                                | 47 |

|   |    |
|---|----|
| 4.6 Chapter conclusion .....                          | 55 |
| CHAPTER FIVE.....                                     | 56 |
| DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS .....    | 56 |
| 5.1 Introduction.....                                 | 56 |
| 5.2 Discussion of the findings.....                   | 56 |
| 5.2.1 Product strategy and export performance .....   | 56 |
| 5.2.2 Promotion strategy and export performance ..... | 57 |
| 5.2.3 Place strategy and export performance.....      | 58 |
| 5.2.4 Price strategies on export performance.....     | 58 |
| 5.3 Conclusion.....                                   | 58 |
| 5.4 Recommendations .....                             | 59 |
| 5.5 Limitations to the study .....                    | 60 |
| 5.6 Areas for further research .....                  | 61 |
| 5.4 Recommendations .....                             | 61 |
| 5.5 Limitations to the study .....                    | 62 |
| 5.6 Areas for further research .....                  | 63 |
| REFERENCES.....                                       | 64 |
| APPENDICES.....                                       | 76 |
| Appendix 1: Introduction letter.....                  | 76 |
| Appendix 2: Questionnaire.....                        | 77 |

## LIST OF FIGURES

|  |    |
|--|----|
| Figure 2.1: Conceptual framework .....   | 28 |
| Figure 4.1 Normality test on the dependent variable (Export Performance) ..... | 47 |



## LIST OF TABLES

|  |    |
|--|----|
| Table 1.1 Avocado exports from 2004 to 2014.....                                     | 3  |
| Table 4.2 Operationalization of variables.....                                       | 29 |
| Table 4.1 Descriptive statistics .....   | 38 |
| Table 4.2 Export performance by variety of avocado (2014-2016) .....                 | 39 |
| Table 4.3 Export performance by country/region of destination (2014-2016).....       | 39 |
| Table 4.4: Product attributes for the avocado exported .....                         | 40 |
| Table 4.5 Advertising budget per year of export.....                                 | 42 |
| Table 4.6 Average number of distributors .....                                       | 42 |
| Table 4.7 Comparison of average prices quoted by suppliers against the markets ..... | 43 |
| Table 4.8 Variance Inflation Factors for the test of Multicollinearity .....         | 45 |
| Table 4.9 Test Glejser output for homoscedasticity evaluation.....                   | 46 |
| Table 4.10 Correlational Matrix output .....   | 48 |
| Table 4.11 (a) Results for univariate regression analysis .....                      | 49 |
| Table 4.11 (b) Decision analysis for univariate regression.....                      | 50 |
| Table 4.12 Results of the multiple regression analysis.....                          | 51 |
| Table 4.13 ANOVA Table .....   | 52 |
| Table 4.14 Tests of significance .....   | 52 |
| Table 4.15 Summary of univariate and multivariate analysis .....                     | 54 |

## ACKNOWLEDGEMENTS

I am eternally grateful to God for the gift of life, and health in mind and body. I thank Him for seeing me through my graduate studies amid many impediments.

I recognize the fundamental contribution of my supervisor Prof. Ruth Kiraka for offering me valuable guidance in writing this thesis. Her readiness, dedication and willingness to walk with me through this journey are very much appreciated.

I am also thankful to the Managing Director, Dr. Esther Kimani, and staff (Mrs. Phyllis Githaiga and Esther Ndunge) of Kenya Plant Inspectorate Service (KEPHIS) for their exporters' directories and their assistance with information pertaining the key industry players.

I thank the exporters and their staff who took time off their busy schedule to give insights into their sub-sector, and to be respondents to my questionnaire.

The support I received from my fellow colleagues towards the objectives of the thesis is also much appreciated.

Finally, to Strathmore University, the conducive professional learning environment and learning resources are very much appreciated.

## **DEDICATION**

To the ladies in my life: Christine, Chiara and Natalie, with love.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

##### **1.1.1 Agribusiness in Kenya and the place of the avocado export business**

Agriculture in Kenya is a key driver of the economic performance, with contributions to the GDP of 15.2% (KNBS, 2017), a source of income and to about 60% of the population, a source of 50% of export earnings (KARI and IFPRI, 2012), and a source of 40% raw material for some key industries in manufacturing such as food, beverages, tobacco (Farole and Mukim, 2013). This sector contributed the 13% of jobs in 2017, second only to the education sector (KNBS, 2017).

Kenya's national agribusiness strategy is based on the back of a largely unexploited potential to add value to the raw produce, coupled with higher production costs and poor infrastructure which leads to reduced competitiveness of Kenyan food exports in the international arena (Government of Kenya, 2012). There is need for an effort to introduce value addition activities such as processing, branding, quality certification and accreditation in addition to farm-level quality improvements that boost the price and of the raw products.

The Vision 2030 (Government of Kenya, 2007) taps agribusiness among the sectors that can be targeted to grow at rates of up to 10%. The plan is for small-scale agriculture to be reformed from subsistence to commercial status, improve their productivity, include value addition, and change them to a 'technology intensive, commercially-oriented, internationally competitive and modern agricultural sector'.

Agribusiness entails any commercial undertakings with an orientation in agricultural production, including farming and contract farming, seed trading, agrochemicals, farm

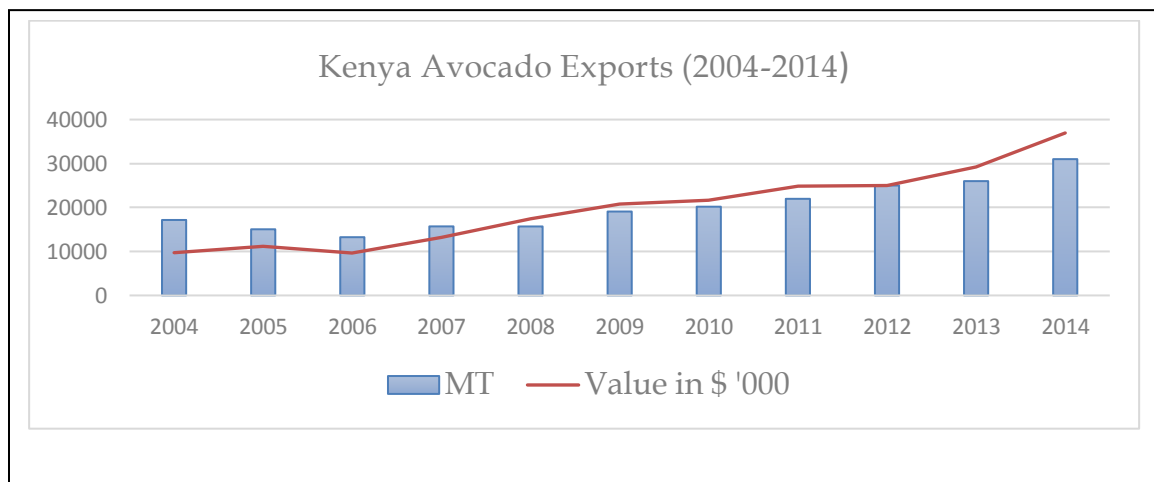
machinery, wholesale and retail, processing, is envisioned as a key drivers to the government's overall strategy. The main agribusiness sub-sectors include livestock and fish, food crops, industrial crops and horticulture. These sectors are key in the attainment of food security besides being a source of exports.

Kenya's horticultural sector has seen exports grow at an average rate of 40% in the past ten years to 2016. It ranks high in terms of growth rates and holds a third position only to tea and tourism a large source of foreign exchange. Its exports earned over Shs.101 billion, and made an overall contribution over Shs. 200 billion to the GDP (KNBS, 2017). Kenya produces both tropical and temperate fruits. The major fruits grown in order of importance are banana (35.6%), pineapples (20%), mangoes (17%), avocado (6%), papaya (6%), passion fruit (4%) oranges (3%), water melon (3%) and tangerines (2%). Passion fruit, mango and avocado constitute the bulk of fruit exports (HCDA, 2014).

Avocado production in Kenya has grown by 170% CAGR to 191.5 MT between 2004 and 2014, (SNV, 2014). Local varieties comprise about 70% of total production, whereas *Fuerte* and *Hass*, the varieties in demand in export markets, constitute 20% and 10%, respectively. Most of the avocado is sourced from rural towns near Nairobi, due to the proximity for packaging and shipping. Small scale farmers are the key sources. Kenya's has an advantage in avocado production contributed mainly by its climate which enables a longer harvest period than its main competitors (Fintrac, 2013).

Kenya mainly exports the *Fuerte* and *Hass* varieties of avocado. Kenya is a niche market supplier in some key markets such as Russia, Gulf Cooperation council (GCC) countries and the European Union (Fintrac, 2013). Kenya exports 4% to the EU and 3% to Russia, respectively. Its exports to the USA are even smaller. It is a key player in the Gulf cooperation countries, as its fruits are competitive in price and available for a longer season. Figure 1.1 shows the growth in exported values and weight in the period from 2004-2014.

Table1.1 Avocado exports from 2004 to 2014



Source: International trade Centre (2016)

On the world level, prices of Kenyan avocado trade at a discount to its key competitors such as Peru and Chile, (AFFA, 2014). The discount is mainly attributed to lower perceived quality of fruits in the European markets. The quality issue is attributed partially to unreliable transportation (World Economic Forum, 2014). Avocado from Peru would sell at an average price of \$2.06 per kilogram while Kenyan fruit fetches a price of \$ 1.71. The price has been increasing slowly from 2012 to match the competition. This is after concerted efforts to increase quality awareness along the value chains from the farms to final shipment. The average price is likely to match the world market prices, and already the largest exporters are able to command the premium prices throughout the year (Fintrac, 2013).

Despite trading at a discount, the margins in the trade are healthy (World Economic Forum, 2014). With selling price averaging \$ 1.71/Kg during peak season, the exporters costs a total of \$1.51 (made up of raw fruit at \$0.59/Kg, packaging of \$0.44, transport to port of \$ 0.08, sea freight of \$ 0.4), thereby netting the trader a margin of \$ 0.2/Kg. However the situation is not likely to last due to hardening competitor positions from

new emerging sophisticated exporters whose competitiveness has been seen as an unfair means of contributing to oversupply in the EU market (Says, 2013).

Strong growth in worldwide demand is projected. This provides the entities in the trade with more export opportunities, especially from emerging markets. Demand for Avocado is expected to increase following surge in uptake by new markets such as China and Russia. Marketing efforts by key exporting countries such South Africa, Israel, Peru and Chile have been seen to be paying-off (AFFA, 2014).

The increased demand should directly translate to an improving performance amid increasing intensity in competition. Going forward then, should the exporters of avocados find themselves trading them as commodities, they will find that it limits how much profit flows back to them and may find the business as unattractive and opt to exit. Such a move would have a cascade effect on the whole economy as it will eventually risk the sources of income for the small-scale farmers and eventually employment in the communities that grow and supply avocados to the world. This calls for an enquiry of ways to improve exporting performance of the firms in the sub-sector. One of the ways to succeed in managing entity performance is by strategically investing in marketing tools to grow the revenue of the export undertaking.

### **1.1.2 Export Performance**

Exporting is essential for firms that strive to outgrow saturated local markets and to grow their revenue and productivity by competing on the world scene. With the increase in globalization serving as catalyst, the importance exporting as a key strategy that enables firms to survive or grow beyond their borders cannot be understated. Firms continually seek to realize competitive advantage in their international operations with a positive effect on present and future export revenue and profitability. The ability of a business or a nation to generate revenues and profits from export trade is termed as export performance and is an indicator of competitiveness and the ability of that nation or firm to generate wealth (Docherty, 2012).

Export performance studies in international business research are numerous. They however suffer from universal acceptance on a all-inclusive structure for explaining the performance of the organizations involved in international trade and the difficulty to streamline analysis of the findings from the research carried out over the years. This challenge is brought about by the multiple dimensions of export performance and the debate as to which factors affect export performance.

Export performance measures have been classified as economic measures and market measures such as turnover from exportation, market shares, growth of revenue, profitability, and profitability growth or in non-economic terms such as export satisfaction. Carneiro et al (2011) found that there are multiple dimensions of measuring export performance, for example they propose the use of several reference points: internal (strategic inputs and outputs) vs. external (competitors, customers, other stakeholders) as well as past vs future.

Some research enquiries have enumerated the key variables that impact export performance. Among these are factors related to firms' competences in the acquisition and deployment of resources to compete in their markets. These competencies may include the external environment, the entity and its management talent, the export approach adopted and the planning of the export ventures. Carneiro, Rocha, and Silva, (2011) identify some of these factors in the external environment as the status of economic development of the target nation, psychic distance and business distance, comparative advantages, and barriers in the host country. Internal factors that are related to the firm include firm size, managers' propensity for risk, degree of internationalization, and status of the exporting activity. Aspects related to strategy include categorization of the export planning, degree of uniqueness of the export firm's products and price competitiveness. Leonidou (2014) adds eco-friendliness to the firm resources that are drivers of export performance.

Katsikeas, Leonidou, and Morgan, (2000) came up with three viewpoints of measuring export results- effectiveness, efficiency, and adaptiveness; four frames of reference:



domestic, for example export against domestic comparison of results, industry (comparison of a company alongside its competition), objective (whether or not pre-planned export ends have been met), and temporal (evolution of the entity activity over a period); three diverse perspectives (internally oriented, competitor-centered and customer-focused); and finally three temporal orientations (historical, current, and future export results).

Numerous studies have found simultaneous relationships and feedback effects that could influence export performance or each other (Kamboj, Goyal, and Rahman, 2015). Moghaddam, Hamid, Rasid, and Darestani, (2011) suggest that the point of diversion in the export performance studies is the recognition of actual determinants of export performance, establishment of a universally accepted, all-inclusive model that does not suffer fragmentary or often having contradictory knowledge about export performance elements.

This study sought to investigate export marketing mix strategies as one of the internal elements that can influence export performance. Kastikeas (1994) as cited in Zou et al.,(2013) defines export marketing strategies to include production strategies, marketing and promotion strategies, product superiority and competitive pricing. These form the 4Ps of marketing, and just a few of the capabilities. This study focuses on these four export marketing strategies that are internal resources that enable a firm to improve competitive advantage that will address competitor actions in the market, making them difficult to outshine (Aaby and Slater, 1989). The internal factors are easier to control by pre-active allocation of internal resources than external resources which sometimes require reactive strategies.

A number of empirical research have been directed to the exploration the effect of market mix strategies on export performance and some have demonstrated positive impact (Mavrogiannis, Bourlakis, Dawson, and Ness, (2008); Lages, Silva, and Styles, (2009); Leonidou, Katsikeas, and Samiee, (2002a). Other studies however conflict these results. For example O'Cass and Julian, (2003) established that marketing strategies had

no effect on the revenue of export entity. Adis, (2010) concluded that product adaptation, promotion adaption, distribution capabilities, product design strategy, price competitiveness, incentives given to wholesalers in the foreign countries, target market specification had no effect on export performance of Malaysian wooden furniture industry.

The reason for this diversity in research results is due to the diversity of conceptualization models and numerous performance measures that has led to inconsistent and contrasting conclusions (Moghaddam et al., 2011). This lack of detailed analysis on dimensions of export marketing capabilities has been a common characteristic of research in this area (Leonidou, et al., 2002). This study focused on the association between the marketing mix strategies and export performance founded on the resource- based view of the firm.

Studies undertaken on the impact of marketing strategies on export performance (Belderbos, Duvivier, and Wynen, 2009; Carneiro et al., 2011; Du and Girma, 2009; Tooksoon, Sukitniyakorn, and Thammajit, 2012) have mainly been on export activity of manufacturing industries in more developed nations (Sraha, 2016). Further empirical studies have been suggested for the agro-food industries (Zou and Stan, 1998). Agro-food firms like the avocado exporters are exposed to a more international, saturated and competitive market than most entities from a manufacturing industry, have smaller sizes and need to define proper strategies related to growing into the international market and maintain top performance even with intense competition (Ayan and Percin, 2005).

With this background, this study focused aimed at identifying which marketing mix strategies as internal determinants that can be modified by management teams of an entity in the avocado export sector and to enhance the understanding of the concept of marketing mix influence on export performance and from an international business perspective in Kenya.

### **1.3 Statement of the problem**

International trade of key horticultural produce, especially fruits and vegetables is rewarding and competition intense. Kenya's main export markets have increasingly been exposed to increased competition from sophisticated exporters originating from Australia, South Africa, Brazil, Chile and Peru. In addition to horticulture, the agribusiness sector has suffered from reduced success from its other flagship exports like tea and coffee (Fintrac, 2013).

As firms increase supplies of agricultural products to a concentration of few powerful buyers in the export markets, it becomes a source of revenue, job creation and poverty reduction solution for the Kenyan economy. Over time, the markets for unprocessed food products face unprecedented intensity of competition and the highly lucrative export products become commodities, and revenues are diminished (Docherty, 2012).

A major challenge of Kenyan agribusiness exports is the resultant risk of deal in their trade from a commodity point of view as this reduces their profitability (Karanja et al., 2014), which arises when there is no value addition in the exports of produce such as the avocado. Going forward, world demand for avocados particularly in Europe and America are projected for upsurge, and hence a potential source of future export revenue (Says, 2013). This might work out Kenya's exports reliance on a few markets such as the EU leads to vulnerability to numerous challenges and external shocks (Muthoka and Ogutu, 2014).

An intervention into the declining market shares and revenues in the export markets is therefore necessary. Research indicates that marketing mix strategies as firm operational capabilities have been proved as an intervention to influence performance in the export markets by the alteration of these elements to increase revenue or increase profitability.

Previous empirical research (Ikiara, 1992; Karanja, Sma, and Thuo, 2014; Omari, 2015; Were, 2002) has been carried out on export performance have been carried out using

from a different discipline or focused on other sub-sectors in the agribusiness industry such as tea. For example, Ikiara, (1992) and Meme, (2015) tested empirically the macro-economic factors that influenced the export performance of horticultural sub-sector. Foreign income, air-cargo space availability, exchange rate factors, agricultural GDP and the real interest rate were found to influence volumes of horticultural exports from Kenya. Export performance studies in in the Kenyan setting and from a management point of view was then suggested. Omari (2015) from an international business perspective found that the effect of marketing strategy, technology, firm size and liberalization of the tea sector on export performance of tea was positive and significant. The marketing strategy for tea may not have the same impact on avocado exports (or even other horticultural exports). Whereas tea is sold through auctions, avocado exports are carried out through contracted distributors. Vegetable and fruit products mature faster, are produced using higher technology than tea to enable a constant supply even out of season, and are traded as perishables as opposed to tea.

Therefore, there exist some gaps in the export performance studies from an international business perspective as to which marketing mix strategies should be employed to influence the performance of entities in the avocado export sub-sector in Kenya from a dynamic capabilities approach.

This study proposed to determine the impact of marketing mix strategies as one of the determinants of export performance of fruits exporters, focusing on fresh avocados, to inform policy formulation in managing the improvement of export performance and hence the contribution of the horticulture sub-sector's revenue to employment and the GDP of Kenya. The focus on avocado is influenced by their lucrative nature as an export product (World Economic Forum, 2014).

## **1.4 Research objectives**

### **1.4.1 General objective**

The study aimed at determining the effect of the 4Ps of the marketing mix on export performance of avocado firms in Kenya.

### **1.4.2 Specific objectives**

This study sought to achieve the following objectives:

1. Determine the effect of product strategy on export performance of avocado exporters.
2. Determine the effect of promotion strategy on export performance avocado exporters.
3. Determine the effect of place strategy on export performance of avocado exporters.
4. Determine the effect of pricing strategy on export performance of avocado exporters.
5. Determine the combined effect of the marketing mix strategies on export performance of avocado exporters

## **1.5 Research questions**

1. What is the effect of product strategy on export performance of avocado exporters?
2. What is the effect of promotion strategy on export performance of avocado exporters?
3. What is the effect of place strategy on export performance avocado exporters?
4. What is the effect of pricing strategy on export performance of avocado exporters?
5. What is the combined effect of the marketing strategy on export performance of avocado exporters?

## **1.6 Justification of the study**

Avocado is a valuable cash crop with attractive growth prospects. The price of avocados in the in Europe is approximately thrice the local price, making its exportation quite an attractive undertaking.

Results from this study will be valuable across more than a few levels. The research will conclude on the significance of the marketing mix strategies on the avocado exports in Kenya thus helping the industry members to plan and implement them to address challenges to improve the horticultural sub-sector trade. This is beneficial in designing solutions that will contribute towards reversing the weakening positions among the avocado export businesses in Kenya.

The study will be of importance to future investigations to further the formulation of theory of business by integrating issues in marketing strategy that influence for export organizational success, more so in Kenya. The research will fill gaps left in research previously carried out by others who are concerned with the improvement of Kenya's prospects in the fruit exports and also enable possible future studies beyond this scope. The researcher gained a better grounding on the issues in the avocado sub-sector besides gaining useful skills in research.

## **1.7 Scope of the study**

The study focused on one of the most lucrative Kenyan horticultural export, fresh export quality avocados. The outcomes may also hold true for other entities in the horticultural sub-sector such as other fruit exporters (for example mango and passion fruit exporters) cut flowers and vegetable exporters.

The study focused on marketing mix strategies as factors that have influence on export performance of the sub-sector. Other internal and external factors may significantly affect export performance but have not been considered.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter highlights the theoretical framework and empirical literature relevant to export performance. The theoretical framework unpacks the marketing mix and demonstrates its relevance to export performance. The empirical literature unpacks studies on export performance in the avocado sub-sector, some of its drivers and constraints, and measures of export performance. The empirical literature review also proposes the hypotheses that guide the study. The chapter concludes by providing a conceptual framework for the study, defining the independent, dependent and intervening variables.

#### **2.2 Theoretical framework**

##### **2.2.1 The Resource Based View (RBV)**

Factors that influence export performance are believed to be internal or external. (Aaby and Slater (1989); Zou and Stan, 1998; Katsikeas et al, 2000). The internal factors correspond to the key factors that intrinsic to the firm and while the external factors depict the environmental issues that a firm has to contend with. The internal divide of determinants is based on the foundation of the resource based view of the firm (RBV) while the external factors are grounded on the contingency theory (CT). The resource based view theory underpins studies based on diverse characteristics of internal resources and capabilities that affect export activity. The resource-based view posits that an entity is a distinctive portfolio of tangible and intangible resources (assets, capabilities, processes, leadership talent and characteristic, and acquired information)

that empower the entity to create and implement policies that improving its productivity and success (Barney, (1991) as cited in Kamboj et al., (2015). The RBV advocates submit that manipulation of an exporting entity's distinct, strategic resources, which are difficult to copy are its source of superior financial performance (Wernerfelt, 2002).

Among these intangible assets owned by the exporting entities, managerial talent and skill occupy a key place. Internal influences are often manipulated to an entity's advantage by management capability, by their effectiveness and efficiency (Lado et al as cited in (Sraha, 2016) . The RBV framework recognizes managerial talent as difficult to imitate and a source for which an entity can overcome the inadequacies of other resources, and therefore become a source of competitive advantage. Management factors can be grouped in four broad groups: entity attributes, leadership talent and attributes, leadership attitudes and awareness, and export policy (Beleska-Spasova, 2014). In this light, the skills and talent of management teams is always a key influence in motivating the success of the export activity in their strategic activities that lead to desirable outcomes such as increased market share, sales revenues and market development of new products.

The resource-based view is embraced in this study as a theoretical foundation as it is extensively applied in studies examining the input contributed by the firm's internal assets and capabilities to improve export performance of a firm in different levels. This study argues that internal resources (such as the management resources that manipulate or package the marketing mix resources) of the firm build sustainable competitive advantage that helps it to respond to external factors to create a intentional fit in the export activity (Barney, 1991 as cited in Kamboj et al., (2015) .



### **2.2.2 The Marketing Mix Theory**

Organizational resources that are relate to export marketing include architectural and specialized export marketing resources (Morgan, Katsikeas, and Vorhies, 2012). Architectural export marketing resources refer to the entity's internal process of obtaining export market information and using it in the design of suitable export marketing plans, thus using it as planning and coordination mechanism. According to Morgan et al., (2012) these resources process and deduce export market information, distribute it to the key decision makers who then develop the suitable marketing tactics. Specialized export marketing resources on the other hand help in the implementation of export marketing strategies that relate to export marketing platform. These resources are the marketing strategies include product decisions, price management, channel and delivery management, and strategic communication. The firm reacts to the interaction between the internal and external elements to meet its objectives in export activity by use of these marketing mix strategies also called the 4Ps (Morgan et al., 2012).

The 4Ps or the marketing mix strategies are required by a firm in order for it to convert its internal resources into planned value submissions to its target clients in the export activity. Integration of both types of marketing capabilities leads to a significant impact on market effectiveness.

The marketing mix concept was popularized by McCarthy (1964) as a means of transforming marketing plans into practice. It is a conceptual framework that identifies the key decisions managers make in the design of products and service to suit customers' needs. The parts in the marketing mix can be manipulated for each product differently to enable management achieve a target long or short term outcome (Goi, 2009).

The 4Ps as a normative theory responds to questions regarding managerial problems the development of an optimal mix of products, price place and promotion solutions for customers in primary mass markets (Goi, 2009). Marketing mix theory is founded in the

monopolistic competitive type of industry (such which many agribusiness entities face) which suggests that there are many consumers and producers, with no firm having total control over prices, both demanded and supplied products have unique characteristics; and that competition involves further differentiation a firm's proposal from that of the competitors using customers' insights and inclinations as a guideline, and not price (Möller, 2006) and finally low barriers to exit and entry.

The 4Ps approach also borrows from the economics principle of marginal utility and the studies from managerial research to identify the optimal level of marketing investment at a specific time for each marketing mix element among its products, customer sectors, and markets. The key assumption is to assume and bet properly that response to each strategy in the 4Ps by the customers is known. The ideal apportionment of marketing investment can then be solved through marginal utility allocation.

There has been a high degree of debate on the 4Ps. For example there is dissatisfaction by researchers in the services marketing sector who point out that the concept is more production oriented. Some researchers, such as Schultz (2001) and Gronorooos (1994) as cited in (Goi, 2009), have criticized the concept for being overly simplistic and passive in nature with regard to customers, especially viewing them as puppets being manipulated by the firm. Möller, (2006) further argues that the 4Ps model does not capture relationships that are built and or the experiences that customers buy.

With a changing paradigm that shifts the focus to the customer relational viewpoint, (Schultz, Tannenbaum, and Lauterborn, 1993) proposed a 4 Cs classification, which is a customer oriented way of specialized export marketing capabilities. From the importer's perspective, the complimentary mix will be the product will correspond to customer solutions, price will speak to the cost incurred by the customer, place will provide utility, or the customer convenience and Communication corresponds to the promotion efforts. Winning companies are those that meet customer needs economically and conveniently and through superior ability to communicate. Marketing mix strategies are key to assist in the development and implementation the

exporting company's marketing plans that lead superior export performance (Leonidou et al., 2002a).

Goi (2009) observed that in the 1980s other scholars have added other Ps to enrich the original 4Ps and to serve as a cure for its deficiencies. Among them are Booms and Bitner (1980) as cited in Van Vliet (2011) who added 3 Ps- participants, physical evidence and process-in a bid to the original 4 Ps to apply the marketing mix concept to service. Goldsmith (1999) proposed 8 Ps by adding participants, physical evidence, process and personalization to the original Ps. Despite this refreshing discussion on the added elements, Kent and Berman Brown, (2006) argue that the 4Ps remain the primary marketing mix, because the subsequent Ps do not command convergence in application.

The 4Ps drive the exporting firm to engage in an export venture with four goals; to develop a product that matches the needs of the customer at a price that they are willing and able to pay, communicated to them a way that they become aware and are persuaded to buy it and shipped to a place where customers can easily access it (Carneiro et al., 2011). Export marketing mix strategies impact on an entity's efficiency and cost structure and are argued to be an avenue for these firms react to internal and external challenges (Sraha, 2016).

The execution of a clever export marketing policy can cause a firm to enjoy success. However, it has been described as a problematic and a time-consuming and risky effort that can lead to disappointed managers due to the extra challenges that face them in the export markets (Morgan et al., 2012). Such challenges include physical distances, differences in business cultures, legal practices and communication barriers.

Debate on marketing strategy has largely been centered on whether to implement a standard strategy or to customize them according to the markets one is dealing with internationally. The studies on the relationship between the adaptation of the marketing mix strategy (4Ps) and export performance have a number of findings that warrant additional research (Leonidou et al., 2002). Although some studies on marketing mix

strategy demonstrate its positive influence on overall export performance, others have found the association is not positive or significant always (Leonidou, Katsikeas, and Samiee, 2002b). It is thus imperative to study the effect of marketing mix strategies on export performance for avocado as the focal product of export to confirm these relationships.

Success is largely an outcome of the fusion among export approach, firm internal assets, and the elements in the export setting (Cavusgil and Zou 1994). The key export marketing mix strategies (4Ps) and their link to export performance are discussed below.

## **2.3 Marketing mix strategies and export performance**

### **2.3.1 Product strategy and export performance**

Product strategy is key to successful exporting because differentiation of offerings from substitutes can impact the consumer's outlook toward a product (Katsikeas et al., 2000). A product comprises the bundle of physical or symbolic qualities that differentiates it from the others offered by competition (Sraha, 2016).

Product attributes that are considered the most important include quality, features, brand name, how it is packaged, how it is labeled, range, the number of lines and versions, its related benefits, how it has been modified to suit the customer and the satisfaction that customers derive from its consumption (Food Export Liaison, 2016). Lages, Silva and Styles, (2009) and Abdulrahman Al-Aali, Lim, Khan, and Khurshid, (2013) contend that the aspects of strategy and quality are the top contributing factor to export performance.

Product superiority entails developing products that meet and exceed customer quality expectations (Zou et al., 2003), thereby increasing their willingness to pay for them. From a customer's perspective, superior product quality and its attributes translates to a

benefits for them such as better storage, durability and higher nutritional value. Production strategy is the development of new products for existing markets in quantities that will satisfy the demand from the consumers and match the technology, the firm's capabilities and other uncontrollable factors (Ellison and Snyder, 2014). Product development involves contemplating how new products can meet customer needs more closely in a way that these products will outshine those of competitors. With the export market saturated with substitutes, products have to be developed and offered to consumers with the hope of translation to revenue, and this then means that the attributes and customer service involved to support the business relationships must be almost built-to-order, calling for extensive market research on the part of the exporter (Kar, 2011).

At the introduction of a product for export trade the product strategy be well thought of because it is the most important time at which the brand image created at this level enables the firm to capture the imaginations of customers (Leonidou et al., 2002a). The satisfaction they derive is already a tool for creating competitive advantage (Guenzi and Troilo, 2006). Product modifications which may include improvement in packaging, translation to foreign language can serve as a competitive tool in the export market in the early stages but this effect may have mixed results of success as the export involvement progresses (Al-Aali, Lim, Khan, and Khurshid, 2013).

Various product dimensions have been researched and found as factors key to successful export activity because they are a cause of differentiation from competitors' positions and influence the international customer's outlook toward the entity's product (Al-Aali et al., 2013). The findings of most studies have been largely consistent as to positive association between product strategy and export performance.

Product design, brand mix (name, sign, symbol, design), warranty, customer service as sales services, and product's valuable and unique contribution to the customer (such as snobbish appeal, prestige, and quality) are product attributes that were determined to have a positive association with export performance (Moghaddam et al., 2011). Product

strategy has been found to have a positive influence on export revenue (Dominguez and Sequeira, (1993) as cited in O’Cass and Julian, (2003).

A few studies have, however, found mixed results. Adis, (2010) concluded that the product strategy did not have a significant positive effect on export performance. Amine and Cavusgil, (1986) deduced that product adaptation strategies negatively affected export performance. The inconsistencies in the results of these studies could arise from the specific nature of the industry or firm circumstances that may have needed to be investigated using the contingency theory.

For Avocado exporters, the product strategy is how to meet the quality requirements of the recipient country. Differentiation on quality is more problematic to attain due to long periods required in research and the resultant rapid imitation by competitors (Baker, 2016). The role of product innovation has been adopted and is becoming increasingly important to achieve export performance (Barno, Ondanje, and Ngwiri, 2009). Product research in this area has been to improve varieties to the more lucrative Hass variety and improving the quantities that will enable the market to be ready to project better the quantities, (Wambugu, 2008). Due to improvement in the technology of transporting avocados, such as the introduction of refrigerated containers (reefers) at the pack houses it has reduced the losses and improved the quality at delivery to at least that of the competitors (World Economic Forum, 2014). This may lead to improved export quantities supplied.

Supply of high quality products offered in the export markets can lead to repeat orders and a better than average price and hence a competitive advantage that leads to improvement of avocado export performance. A positive association between product strategy and export revenue is expected, hence the proposition of the hypothesis:

*H1: A firm’s product strategy has a positive effect on export performance*

Product strategy factors that were measured included the number of quality certifications and years of quality certifications. The presence of certification was used as the relevant variable to influence export performance.

### **2.3.2 Promotion (Communication) strategy and Export Performance**

Promotion or communication strategy is the extent to which an exporting entity uses marketing communications with its international clientele to its advantage. Promotion strategy in export operations involves incorporation of all marketing linked activities of a firm utilizing well planned actions that are derived from gathering information from its global customers and competition (Al-Aali et al., 2013). Communication can be at several dimensions including market sensing, customer linkage and channel bonding (Day, 1994 as cited in Zou et al, 2003). Market sensing boosts the capacity of an exporter firm to quickly and actively respond to customers' concerns or preferences and therefore has been linked with branding advantage. It is also of use in gathering information on competition actions and hence reducing opportunistic behavior, and thus a source of a low cost benefit to the company, specifically lowering of the cost of negotiation of agreements in the export activity. Channel bonding utilizes the effect communication on building trust and commitment, which has an end result of reducing opportunistic behavior and the cost of enforcing contracts in the global markets.

Promotion strategy allows firms to acclimatize to foreign markets and pursue the right customers with effective integrated marketing communications (Al-Aali et al., 2013). Export promotion becomes more important when the product purchase requires a low engagement decision making process, like that of purchase of day-to-day products. Researchers (for example Hultman, Katsikeas, and Robson, 2011 and Murray, Gao, and Kotabe, 2011) have shown that promotion strategy is more important as the exporting firm grows in experience. The most researched promotion strategy variables are

advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaptation.

Advertising is the most researched aspect of promotion strategy. The implication of advertising on export performance is acknowledged from higher revenues firms get from the use of optimal advertising to produce higher performance results. It has profound results for exporters who have a greater commitment to the markets that use higher level of advertising (Moghaddam et al., 2011).

Previous studies have shown consistency in linking promotional strategy to export performance. Blesa and Ripolle (2008) argue that promotion strategy enables the exporting firm to acclimatize to foreign environments and pursue the right customers with effective integrated messaging and that it has a positive effect to export performance. Others like Eusebio, Andrue and Belbeze, (2007) concluded that increased investment in promotional drives did not translate to superior export results. Singh (2009) as cited in (Sraha, 2016) concluded that advertising spending had a negative influence on export revenue and established that promotion strategy is a key lead to competitive dynamics in the new environments.

Avocado value chains require knowledge of the market players on the ground in the countries of export. Horticultural Crops Development Authority (HCDA) is a government parastatal that is tasked to arrange for trade fairs where local exporter groups participate to search for partners in foreign markets by creating networks and linkages, from which export relationships are borne. Advertising as a communication strategy has not been properly pursued by Kenyans, but Israel and the South Americans have used it to promote the awareness of the avocado in Europe and the Americas (Fintrac, 2013). It has been suggested that associating the natural heritage of avocado growing areas and the part of small-scale farmers in the advertising message would aid in bringing in a human picture that improves a cultural perception in the mind of the buyer that the sourcing of avocado is from real farmers and this would help improve the brand and hence export performance (Fintrac, 2013),



Because an entity's promotional strategy is likely to improve the information of its product offerings to the customers, the following hypothesis is proposed:

*H2: A firm's promotion strategy will positively affect its export performance.*

Promotion strategy was measured by the size of marketing budget the firm has.

### **2.3.3 Place (Distribution) strategy and Export performance**

Place or distribution strategy is the export firm's ability to design and provide support to its distribution coordination (Zou et al., 2003). Customers' orders should be approved with relative ease and handled in good time and, therefore making distribution management an important cog in marketing strategy.

Leonidou et al., (2002) concluded that the use of a foreign sales representative office, direct sourcing, dealer support and after sale service contributed to positive export results. They also opine that transportation costs appeared on a less frequently in research. In contrast, Leonidou et al (2002) found a weak association between performance and the appointment of a wholesaler or retailer in undertakings. There were a few studies that found that export performance was not affected by place strategy, such as (Adis, 2010). The reason for such inconsistencies was due to the failure of such ventures to have any strategic marketing effort to improve the export performance.

The importance of an effective distribution system is market sensing and customer service. Whether done through use of one's own channels or riding on some established by locals it allows exporter to link with key customers in those markets, gain access to customer and competitor information, and deliver the necessary marketing services (Zou et al., 2003).

The effect of place (distribution) strategy on firms can be differential. At the entry stages of export activity the firm would have to spend greater effort to procuring information about the new markets and resort to forging close relationships with local distributors

in such markets (Zou and Stan, 1998; Kamboj et al., 2015). Distribution strategy at this stage will be directed at new market development and provision of support and partnerships to channel owners which are building blocks to better export performance (Leonidou et al., 2002a). Later, when the exporter becomes active and experienced, the function of control on the supply chain and channel associations would provide marginal results (Eusebio et al., 2007).

An effective distribution strategy enables the exporting firm to use its networks to successfully maximize their revenue base. Focus on a small number of key intermediaries enables the exporter firm to have strong and close relationships with each of them. Another tactical approach to distribution will be to sniff out conflicts and minimize them, for example competition of the firm with its own distributors (Kamboj et al., 2015).

A well designed distribution network, with proper support enables the exporter to foster a favorable climate of co-operation that clears information symmetry common with intermediaries in the foreign operations. This creates enhances the brand ability (Porter, 1986). Reduction in conflicts along the supply chain and the cooperation among the intermediaries helps the exporter to bring costs to a minimum this enhances a low cost strategy (Zou et al, 2003), translating to better export results.

Avocado exports from Kenya have been hampered mainly by transportation costs to the desired export markets. Shipping was done mainly through air freight initially, which led to high costs of business, but introduction of refrigerated containers “reefer” technology has allowed a dramatic increase to the avocado exports quantities, due to a longer shelf life. Reefers are controlled-atmosphere-treated containers which are loaded with the 4Kg avocado cartons at the pack houses, loaded on to the vessels at Mombasa port, then shipped through Salalah, in Oman before delivered to various destinations in Europe (Fintrac, 2013). The fruits shipment will arrive at the market 25-40 days later, and the ripening process will have been taking place, so that at arrival minimal storage is required and losses are minimized before delivery to the customers. While an

improvement to original distribution methods, the transshipment through Oman is longer in order for it to avoid piracy risks on Somalia waters, and incurs more insurance charges. Additionally, port inefficiencies at Salalah may occur during the Monsoon periods (Fintrac, 2013).

As noted above, most of the exporters are linked to buyers in the European markets through long-term contracts and they may already own ripening yards, which allows a smooth distribution plan at that end, (Baker, 2016). An exception though is where unregistered exporters wait for reefers at the port of destination and sell the containers on spot. Such shipments usually have poor fruit that is difficult to sell.

A strong distribution strategy helps secure close cooperation from export firms with its customers and helps in reduction of costs of enforcing contracts. Enhanced performance will therefore be as a resultant a low cost advantage or branding advantage, (Morgan and Hunt, 1994), hence the following hypothesis:

*H3: A firm's Place strategy will have a positive effect on export performance.*

Place strategy variable was measured by number of intermediaries and customers that a firm retained in a year of export.

### **2.3.4 Pricing strategy and Export Performance**

Pricing strategy is the degree in which a firm successfully uses adjustments of prices of its products to respond to new competitor and customer actions and demands in a complex and dynamic market. Entities that change their prices in response to new market information can also manage their costs without affecting output and are at a low-cost competitive advantage in the markets they engage in (Dickson, 1992) .

Whatever the pricing strategies, the firm should maintain the perceived value of the product to their customer. They should keep in mind the customer's trade-offs between the price and the many features of the product in arriving at the total value the

customer derives from the product (Kar, 2011). Pricing as a spanning capability helps the exporting firm to respond to competition while facilitating implementation of cost control measures (Zou and Stan, 2003; Kamboj et al., 2015). Abdulrahman Al-Aali, Lim, Khan, and Khurshid, (2013) suggest that pricing strategy is limited in effectiveness in international markets due to small cost differences among exporting firms.

The most researched aspects of pricing as a strategy are pricing techniques, terms of sales, credit strategy, currency strategy, and price adaptation (Leonidou et al., 2002a). Lee and Griffith, (2004) determined that the ability of exporters to modify prices in foreign market situations had a positive effect on the performance of Korean exporter. They also found that adaption of a suitable pricing mechanism would improve their ability to generate more revenue from exporting.

A few studies however did not find a direct association between market mix strategy variables and export performance. Adis, (2010) reports that price competitiveness as an export marketing strategy did not affect the export performance because it might have led to less damaging price wars among exporters. (O'Cass and Julian, 2003) indicated that the marketing mix strategy did not yield any significant effect on export marketing performance for Australian firms.

Kenyan avocado exports will lead to higher revenue and profitability despite the price fluctuations over the seasons due to the ability to adjust product prices as a result of lower costs of delivery and distribution therefore a source of low- cost advantage. This would give the avocado exporters an edge over its rivals (Zou et al, 2003). A pricing strategy deployed by exporters to react to new information about the market is likely to form an exporter's low cost advantage which then leads to improved export performance hence the proposal below.

*H4: A firm's pricing strategy positively affects its export performance.*

Pricing strategy was measured using the average selling price per kilogram of avocado that the firms could command in a season at the export markets in (USD).

### 2.3.6 Measuring Export performance

Exporting is usually and attractive method of entry into a foreign market as requires fewer resources to set up, lower risks, and offers better flexibility as opposed to others such as setting up stand-alone subsidiaries to commence production (Leonidou, 2014). Performance is a good proxy to analyze a company's level of accomplishment in foreign markets. The goal of an expansion through export trade should be to improve the firm's competencies, internal assets, strategies and appeal, which in turn should lead to better export results, (Kumlu, 2014).

There are two yardsticks of measuring export performance: Economic and non – economic measures. Economic measures will encompass objective metrics such as revenue, market shares and the ultimate bottom-line, while non- economic metrics will relate to non-financial measures relating to the subjective metrics such as firm offerings, market and experience metrics.

Export performance of an industry can be also looked at from the point of view of effectiveness, efficiency adaptiveness, (Oliveira, Cadogan, and Souchon, 2012). Export “effectiveness” is line with achievement of set goals such as revenue obtained. Export “efficiency” refers to the conversion of inputs to outputs. On the other hand export “adaptiveness” is concerned with the entity's response to the market dynamics (Katsikeas, Leonidou, and Morgan, 2000) .

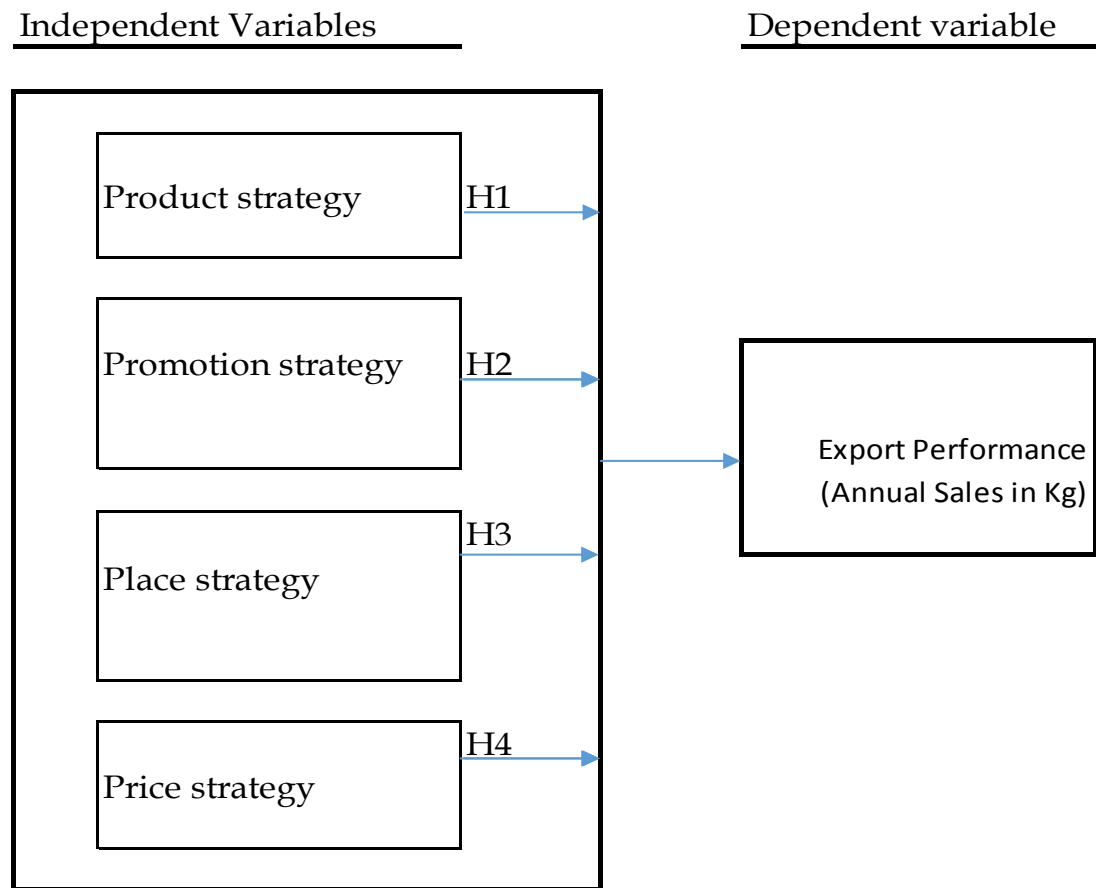
Zou and Stan, (1998) classified export performance metrics in seven classes such as financial, non-financial and composite scales. Financial measures include revenue-turnover or the intensity metrics or as the profit-the ultimate bottom-line. Non-financial metrics include tend to be subjective. These include metrics like export success, which is the belief that exportation will lead to a better bottom line. Export satisfaction is the overall fulfillment derived from the export activity (Zou and Stan, 1998). Combined scores based on weighted scores of a variety of performance metrics are also common.

The main economic measures for performance of the exporting firms include revenue or revenue growth and profitability (Leonidou et al., 2002b). In this study, export performance was the dependent variable and was represented by annual exported quantities in kilograms for each of the firm that participated. This being an economic measure is more relevant to the exporters of avocado in Kenya, because it is objective and can be easily managed by the firms. The use of the other measures like profits or changes in sales or profits would be challenge since avocado is frequently supplemented with the supply of other fruits, vegetables or cut flowers in the market, and the exporters were less likely to divulge such information as opposed to export quantities.

## **2.4 Conceptual Framework**

The conceptual framework for this study incorporated independent and dependent variables. The independent variables are pricing strategy, promotional strategy, product strategy and distribution strategy. Export performance is the dependent variable. Figure 2.1 shows the interrelationship between the factors influencing export performance.

**Figure 2.1: Conceptual framework**



Source: Vorhies and Morgan, 2012

**Table 4.2 Operationalization of variables**

| Variable           | Measures   | Measurement scales | Literature support   |
|--------------------|--|--------------------|--|
| Product strategy   | ♦ Number of quality certifications                               | Ratio              | Abdullah Saif, (2015);<br>Morgan et al.,(2004)               |
| Promotion strategy | ♦ Size of the annual advertising budget                          | Ratio              | del Río Araújo and Neira, (2006);<br>leonidou, et al.,(2002) |
| Place strategy     | ♦ Average number of distribution channels in year                | Ratio              | A. Al-Aali et al., (2013),<br>Lages et al.,(20014)           |
| Price strategy     | ♦ Average price of avocados in the year                          | Ratio              | (Ellison and Snyder, 2014),<br>Cavusgil,Zou, (1994)          |
| Export performance | ♦ Number of boxes sold annually;<br>♦ Annual Total Weight in Kg; | Ratio              | Katsikeas et al., (2000)<br>Leonidou et al., (2002)          |



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discussed the research design, research strategy and the research instruments be utilized in pursuit of the goals and objectives of this study.

#### **3.2 Research design**

A research design is a plan of action that details the steps that lead one to answer a question of hypothesis and thereby help achieve the research objectives. It is a connection among the collected data, its research objectives and the conclusions reached in an enquiry (Yin, 2012).

A cross-sectional descriptive research design and correlational analysis was adopted. (Cooper and Schindler, 2006) described descriptive quantitative research design as one concerned with finding out the, who, what, where, when and how much. It enables the collection of information from a broad sample space and use the findings to generalize the inference to validate the study (Sekaran and Bougie, 2016). Correlation analysis helps one to investigate the relationship between variables hence reducing the degree of uncertainty around the association the independent variable may have with a dependent variable.

In this study the data on avocado export market mix strategies was collected through a self-administered questionnaire distributed personally to respondents from this sub-sector.

### **3.3 Population and sampling**

Population refers to all elements who possess the characteristic of interest, (Gupta and Guttman, 2013). According to Polit and Hungler (1999) a target population comprises all the subjects that help in the making of research generalizations. The accessible population on the other hand is all the cases that would fit in some designated criteria set by an investigator from a larger pool selected for research.

The target population for this study was 100 active avocado exporting firms that are licensed by Horticultural Crops Directorate (HCD) in 2015 as exporters of avocado in Kenya. The accessible population was 67 active exporters who had requested for a phytosanitary certificate for each of the years under review.

For this study, a census survey was performed on all the population of 67 licensed and active avocado exporters, as the population is small. The questionnaire was administered to the Production Managers (PM), or Sales Manager (SM) or the Chief Executive officers (CEO) of the companies. These individuals were perceived to the best positioned to provide the information required with respect to the objectives of the study.

### **3.4 Data collection methods**

Primary data was obtained using a structured questionnaire. The questionnaire had closed questions, intended to provide comparative data for the study.

The survey questionnaire had five parts. The first one was composed of background data on the company and the respondent. The second to the fifth parts included factors of the firm's marketing strategy that were likely to impact export performance of the avocado entity.

A first questionnaire was sent to 15 respondents on a test basis. The respondents were asked to fill it with the information about their marketing capabilities aspects and export revenues and return to the researcher a filled questionnaire. Seven out of the fifteen respondents gave feedback to the researcher. The pilot testing indicated the questions that respondents chose not to answer. These questions were removed or modified to yield a final questionnaire, which was sent to different respondents than the first 15. Additionally, secondary data of export quantities was obtained from KEPHIS.

Telephone calls were made to the contacts in order to create rapport with the respondents before the study and to increase the rate of acceptance for participation. Questionnaires were then emailed or hand delivered to 40 potential respondents. Telephone calls were used to follow up with respondents and confirm the questionnaires had been filled. Respondents were then requested to email them back to the researcher or if printed, the researcher would collect them at the premises.

Secondary data collected was export performance data. This was obtained from KEPHIS phytosanitary certificate declarations. Data collected included variety exported, number of boxes, weight, export destinations, and date of exporting.

### **3.5 Data analysis**

After data collection, filled questionnaires were sorted out and cleaned in order to deal with any inconsistencies during data collection. Data collected was then coded to facilitate analysis using SPSS.

The data was summarized using descriptive and inferential statistics to analyze univariate relationship such as percentages, mean, kurtosis and skewness.

Univariate analysis for each of the independent variable was done. First data was transformed using a box-cox transformation to ensure normality. The relationship between variables was then derived. A linear association between the independent

variables and the dependent variable was assumed. The simple regression equation was derived in the form:

$$EP = \alpha + \beta x + \varepsilon$$

Where  $\alpha$  and  $\beta$  are model parameters

$\varepsilon$  is the error term.

The study then utilized multiple regression analysis to test the hypotheses and to determine whether the independent variables individually and together predict the given dependent variable, using ANOVA.

For the multiple regression analysis to be undertaken, the OLS underlying assumptions have to be ascertained and confirmed otherwise an alternative model would be used (Gujarati and Porter, 2009). A number of tests were undertaken in the study to form a requisite analysis. They include tests for autocorrelation, multi collinearity, checking for outliers, normality test and heteroscedasticity. These tests are presented in Chapter four. The relationship between variables was assumed to be linear in nature. The multiple regression equation was derived in the form:

$$EP = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where EP was dependent variable, Export Performance;

$X_1$ - $X_4$  are the independent variables as follows;

$X_1$  is product strategy;

$X_2$  is Promotion strategy;

$X_3$  is Price strategy;

$X_4$  is Place strategy;

$\beta_0$  is the constant

$\beta_1, \dots, \beta_6$  are the regression coefficients of the independent variables and

$\varepsilon$  is the error term.

### **3.6 Research Quality**

Quality research is the process encompasses various aspects of a study design – the decision process that entails the relationship between the methods and questions, selection of subjects, measurement of results, and sheltering from the problem of biases, and errors arising from deductions made (Boaz and Ashby, 2003).

#### **3.6.1 Internal validity**

Internal validity reflects the researcher's satisfaction that the study design, execution, and data analysis have reduced or removed bias and that the findings are representative of the true association between the research and outcome (Pannucci and Wilkins, 2010). When evaluating the results, careful appraisal of study methodology for sources of bias by the supervisor and a panel enabled the researcher reduce bias and enhance internal validity. The researcher ensured internal validity by ensuring the questionnaire provides adequate coverage of the investigative questions guiding the research. The questionnaire was pre-tested on some exporters who are not on the sample to evaluate the questions in order to determine the non-essential items that needed to be removed and the essential items to be added.

#### **3.6.2 External validity**

This is the ability of one to apply the research findings can to other groups or populations through generalization (Pannucci and Wilkins, 2010). To ensure external validity by including the exporters that represented small scale exporters and larger-diversified multinationals or private companies, and those exporters with more than one fruit product. The findings of this research can be generalized to fruit exporters whose characteristics resemble those of avocado.

### **3.6.3 Reliability**

The researcher tested the reliability by using stable and reproducible measures for analyzing data on the limited number of respondents and administering the same tool of study at around the same timeframe. The use of questionnaires for data collection and its administration is likely to generate a high response rate which will provide sufficient data for analysis. Spearman-Brown coefficient was used as a numerical coefficient of reliability. Computation of the Spearman-Brown coefficient is based on the premise of split-half reliability- that two halves of a test should produce similar true scores and error variances, and from the assumption that the test items are focused on the construct. Spearman-Brown coefficient provided the researcher with a coefficient of inter-item correlations. A strong relationship between the items within the measurement procedure produces high internal consistency. The overall Spearman-Brown coefficient was 0.838. An acceptable measure of this test is when the Spearman-Brown coefficient is greater than 0.80.

### **3.6.4 Objectivity**

To ensure objectivity, the results from data analysis were based on actual data from respondents to avoid the researcher's bias in performing an empirical research. Careful analysis of basal assumptions, hypotheses, objectives and research questions and use of appropriate quantitative analysis procedures was reviewed by the supervisor to the researcher.

## **3.7 Ethical Issues in Research**

The aim of the study was fully disclosed to the participants to ensure informed consent before proceeding with the study. Participant's right to privacy was observed by ensuring confidentiality in the handling of information where participants were

identified. Participants were notified that they were free to contact Strathmore University, School of Management for further information concerning the researcher and the purpose of the research being conducted.

To promote honesty of participants when providing details about their businesses, each participant was given the opportunity to agree or refuse participation in the study. This ensured that information was obtained only from willing participants. Participants were encouraged to give honest opinions in the questionnaires and at the inception of a data collection session. The researcher aimed at establishing a rapport with participants and indicated that there would be no right or wrong answers to the questions asked. The researcher took responsibility to ensure that data analysis was credible and ethical in generating the research output.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND ANALYSIS**

#### **4.1 Introduction**

This chapter describes the findings of the study. The findings have been outlined with reference to the objectives of the study. The study sought to evaluate the effect of marketing capabilities on the export performance of avocado in Kenya. Primary data was collected through questionnaires filled by senior staff or owners of avocado export firms. Secondary data was collected from KEPHIS records of phytosanitary export declarations of the avocado exporters from 2014-2016. The questionnaires were designed to address the research objectives of the study.

#### **4.2 Results of the questionnaire**

##### **4.2.1 Response Rate**

The study targeted the all the exporters of avocados from Kenya, especially those who shipped their product for the period 2014-2016. According to phytosanitary certificates data from KEPHIS, there were 67 exporters during this period. Fifteen exporters previously involved in the test were not included again. Forty four exporters were found to have been consistent for the three years and are the basis for this research. Four exporters could not be traced as per their given addresses. Questionnaires were sent or delivered to the 40 active exporters.

The respondents were requested to give information about the different aspects of their marketing strategies and return the filled form to the researcher. Export performance data was then sourced from KEPHIS phytosanitary returns for each of the respondent who returned a filled form. Four exporters declined to participate in the study for various reasons. Twenty eight questionnaires (77%) were returned filled by the respondents. Six questionnaires were rejected as unfit for analysis due to missing key



information. 22 Valid questionnaires were therefore analyzed for the three years, yielding a total of 66 outcomes. This being a 42% response rate was considered sufficient for analysis (Babbie, 2014).

### 4.3 General Research Findings on the Avocado Sub-sector

**Table 4.1 Descriptive statistics**

|                           |         | Export<br>performance | Product | Promotion | Price  | Place |
|---------------------------|---------|-----------------------|---------|-----------|--------|-------|
| N                         | Valid   | 59                    | 59      | 59        | 59     | 59    |
|                           | Missing | 0                     | 0       | 0         | 0      | 0     |
| Mean                      |         | 570,585               | .90     | 1,172.46  | 6.71   | 2.34  |
| Median                    |         | 535,595               | 1.00    | 1,200.00  | 7.00   | 2.00  |
| Mode                      |         | n/a                   | 1       | 0         | 5      | 2     |
| Skewness                  |         | .595                  | .502    | .539      | .001   | .856  |
| Std. Error of<br>Skewness |         | .311                  | .311    | .311      | .311   | .311  |
| Kurtosis                  |         | -.164                 | 1.244   | -1.090    | -1.392 | -.134 |
| Std. Error of<br>Kurtosis |         | .613                  | .613    | .613      | .613   | .613  |

The results in table 4.1 above indicates a mean of 570,585Kg of fruit per export firm that was in our sample per year of export. The data also indicates that an average exporter has one quality certification, which indicates that they are able to supply to the European markets. The average budget for advertising is \$ 1,172 which is close to the median budget of \$ 1,200 per year. The average price of avocado was \$ 6.71 per a 4kg carton of branded avocado. The average number of market customers was 2.34 per year. The data above is from normalized results and as such the skewness and kurtosis statistics had already been adjusted for the regression analysis.

These export performance results were further refined as below.

### 4.3.1 Export performance

**Table 4.4 Export performance by variety of avocado (2014-2016)**

| Variety of fruit   | Export Quantity(MT) | Percentage |
|--------------------|---------------------|------------|
| <b>Fuerte</b>      | 117,641,001         | 61%        |
| <b>Hass</b>        | 72,981,929          | 38%        |
| <b>Other</b>       | 30,400              | 0%         |
| <b>Pinkerton</b>   | 1,372,588           | 1%         |
| <b>Grand Total</b> | 192,025,917         | 100%       |

Source: Kephis phytosanitary declarations (2017)

**Table 4.3 Export performance by country/region of destination (2014-2016)**

| Country/region of export | Quantity exported | Percentage |
|--------------------------|-------------------|------------|
| <b>GCC</b>               | 69,100,006        | 36%        |
| <b>Netherlands</b>       | 36,848,273        | 19%        |
| <b>France</b>            | 31,089,174        | 16%        |
| <b>EU</b>                | 11,227,281        | 6%         |
| <b>Rest of the world</b> | 43,761,184        | 23%        |
| <b>Grand Total</b>       | 192,025,918       | 100%       |

Source: KEPHIS phytosanitary declarations (2017)

Data from the respondents indicated a mean turnover of 570, 308 Kg per year for the period of review. The data for performance was secondary data from as per KEPHIS phytosanitary weight and value declarations. Population data was also reviewed analyzed above. For the period under review 192,098 Metric tons of avocado were exported from 2014-2016. *Fuerte* variety was the most popular accounting for 61% of the

exports. *Fuerte* is mostly exported to the middle-east countries, and especially to the gulf co-operation countries (GCC), which take up to 72% of total shipment exports.

Hass variety is predominantly exported to the Eurozone area. Key destinations of the *Hass* are the Netherlands, Belgium, France and Spain which collectively account for 94% of the shipments. This variety is popular in Europe and due to the stringent conditions in that market, many exporters tend to avoid its trade. *Pinkerton* variety is exported to the Middle East, Europe and a few countries in Africa, predominantly by two exporters in Kenya. This variety accounted for less than 1 % (1,373 metric tons). Other local varieties are mostly exported to Somalia, Egypt and the rest of Africa. There has been a compounded annual growth (CAGR) of 13.26% of exported quantity over the three years. This is attributed to the recent increase in demand for avocados globally as a result of poor harvests and unrest in key supply markets in Mexico, growing demand for avocados in emerging markets like China and Russia, and improved production techniques that have seen acceptance of avocados in key markets.

#### 4.3.2 Product strategies

**Table 4.4: Product attributes for the avocado exported**

| <i>Product Attributes</i>   | <i>Number of exporters</i> | <i>Percentage</i> |
|---|----------------------------|-------------------|
| The company has subscribed to quality checks.                     | 17                         | 77%               |
| The company own machinery to sort out quality.                    | 11                         | 50%               |
| The company operates an out growers' scheme.                      | 7                          | 22%               |
| The company has ever supplied any "organic" varieties of avocado. | 14                         | 64%               |

Seventy seven percent of the respondents (17) had subscribed to a quality certification in at least one of the years under survey. The most common are Global gap, Euro gap, Fair Trade and BRC certification, which are key for exporters who are keen in venturing

the European market. Whilst this may contribute to export performance, it has limited results since these exporters source their fruit from brokers.

Fifty percent of the respondents own size sorting machinery. Size-sorting is key to quality control for the European markets which give premium prices for smaller sizes. The Asian markets, especially the GCC are not as particular as their European counterparts and as such there are less reject rates from those countries. The machines may operate below capacity when the exporters do not have shipment orders from Europe.

Exportation of avocados during off-peak is common among exporters, with 64% reporting having participated. All reported better prices which were from 22-30% higher. However, they all reported that the fruit supply was poor.

Only 23% (5) of the respondents had ever exported avocado as “organic.” The prices of these avocados were 10-31% higher than normal shipments, but the quantities were low.

Only 9% (2) of the respondents have their own avocado farms with more than one variety of exportable fruit. They complemented their fruit with those of outgrower farmers or brokers. All respondents had ever purchased fruit from brokers. The outgrower schemes are less popular due to problems in enforcing the contracts at the time of harvests.

Ninety percent of all avocados are sourced from the central highlands and especially Murang’a and Kiambu areas. Other regions such as the central rift and Nyamira areas are in the process of development as potential sources of the fruit.

### 4.3.3 Promotion strategy

**Table 4.5 Advertising budget per year of export**

|                           | 2014   | 2015   | 2016   |
|---------------------------|--------|--------|--------|
| Average marketing Budgets | \$1215 | \$1401 | S2,199 |

Average advertising budgets increased over the three years from \$1,215 to \$ 2,199. The main expenditure was travelling by the top management to scope for new markets and attendance of international fruit expos. Thirty percent (7) of the respondents have attended an expo organized by a government agency (HCD or the Export Promotion Council) in the export destination countries. Due to the interaction with potential buyers in such events, their export performance was improved year on year. Fifty percent (11) of the respondents did not have any marketing budgets and relied on their websites to attract any new buyer. They relied on old business or use of referrals and did not attempt to grow new business actively. There was no evidence of collective marketing initiatives for exporters to market the Kenyan Avocado abroad observed here like the South African Avocado Association organizes. The reasons include lower budgets and fewer incentives to do so.

### 4.3.3 Place strategy

**Table 4.6 Average number of distributors**

| Attribute                               | 2014 | 2015 | 2016 |
|---|------|------|------|
| Average number of distributors(average) | 2.77 | 2.8  | 2.95 |
| Mode number of distributors             | 2    | 2    | 3    |

The number of distributors increased gradually over the three year period to an average of three per exporter. This corresponds to increasing demand of avocados in the market. Eighty six percent (19) of the respondents have used a combination of sea and air

transport. Sea transport was more popular during the on-season and air transport mostly popular during the off-season and for shipments to Europe or to some countries like Somalia. Only the biggest and the oldest companies sold directly to retailers. The rest sold to distributors with good connections in the export markets. It costs an average of \$ 2.00 to deliver a 4kg carton of avocados to France via air and \$ 1.1 to deliver the same to the UAE. Shipping a box of avocados to France and UAE by sea costs \$ 3.56 and \$ 3.25 respectively. The differential in the cost of transport affects the profit to the importer, and leads most exporters to prefer exporting to the Middle East.

#### 4.3.5 Price strategy

**Table 4.7 Comparison of average prices quoted by suppliers against the markets**

|                | Year | Early season | Mid-season | Late season | Average Market prices | Average prices by exporters |
|----------------|------|--------------|------------|-------------|-----------------------|-----------------------------|
| Hass prices    | 2016 | 12           | 10.55      | 10.25       | 10.93                 | 9.2                         |
|                | 2015 | 9.5          | 11.75      | 9           | 10.08                 | 8.07                        |
|                | 2014 | 8.5          | 8          | 5           | 7.17                  | 6.15                        |
| Fuerte: UAE    | 2016 | 7            | 8          | 7           | 7.17                  | 6.20                        |
|                | 2015 | 5            | 8          | 5           | 5.99                  | 4.45                        |
|                | 2014 | 6            | 5          | 5           | 5.54                  | 4.9                         |
| Fuerte: Europe | 2016 | 7.7          | 8.5        | 8.3         | 8.17                  | 7.03                        |
|                | 2015 | 6.75         | 8.6        | 7.8         | 7.72                  | 6.12                        |
|                | 2014 | 7.3          | 6.6        | 7.4         | 7.10                  | 5.69                        |

Source of market prices: International Trade Centre: 2018

The Kenyan Avocado is sold at a 16-26% discount to the market average for comparable fruit size. The price is discounted because of low quality history. However, bigger exporters, especially those with own farms can secure prices at par with those of South American and Brazilian origins because they have resources to showcase their ability to supply higher quality. The price also improves during the off-season times or when delivering organic produce. Eighty eight percent (20) of the respondents reported that prices are agreed with the buyer at the onset of the season, but it was also noted that the

price may be negotiated. Kenyan avocados are popular in the Middle East due to lower prices and would lose that market if the prices were increased, in favor of better quality products.

#### **4.4 Diagnostic tests**

##### **4.4.1 Normalization of data collected on each variable in the regression model**

First, a Box-Cox transformation was performed to the data to enable the researcher carry out parametric tests when residuals of the dependent variable were not normally distributed. Validity tests were done to confirm the assumptions of ordinary least Square (OLS) for multiple analysis.

##### **4.4.1 Test for auto-correlation**

Durbin-Watson (DW) test statistic is based on a premise that errors in a regression model are generated by a first order autoregressive process observed at equally spaced time periods. The Durbin-Watson statistic falls between 0 and 4. A value between 1.5 and 2.5 indicates no auto-correlation and hence the data was reliable. From Table 4.4 below, the DW statistic obtained was 1.904, which indicates that autocorrelation was not a problem in the data set.

##### **4.4.2 Test for Multicollinearity**

Multicollinearity occurs when more than two predictor variables are inter-correlated. Multicollinearity test is based on interpretation of the variance inflation factor (VIF), which measures the inflation in the variances of the parameter estimates due to Multicollinearity potentially caused by the correlated predictors.

Tolerance values of 0 indicate that there is no multi-collinearity. Tolerance values close to 1 indicate there is Multicollinearity but it does not pose a problem in the analysis.

Tolerance values greater than 5 indicate presence of Multicollinearity that may lead to removal of some variables from the regression model. From the table below, all the VIF were close to 1 which indicates presence of Multicollinearity at degrees that are not problematic in the model.

**Table 4.8 Variance Inflation Factors for the test of Multicollinearity**

| PREDICTOR | VIF  | TOLERANCE |
|-----------|------|-----------|
| PRODUCT   | .547 | 1.826     |
| PRICE     | .779 | 1.284     |
| PLACE     | .634 | 1.576     |
| PROMOTION | .755 | 1.324     |

#### **4.4.3 Test for heteroscedasticity**

When the error term does not have constant variance, the problem is called heteroscedasticity or non-constant variance. To test for non-constant variance, Test Glejser was used.

Glejser test checks for any systematic pattern in the variances of the errors by estimating an ancillary regression, where the absolute value of the residuals of the main equation is the dependent variable. The null hypothesis of no homoscedasticity is rejected if the p-value is greater than 0.05.

From table 4.9 below, all the variables scored a significant more than 0.05, meaning that the problem of heteroscedasticity did not exist in the model.



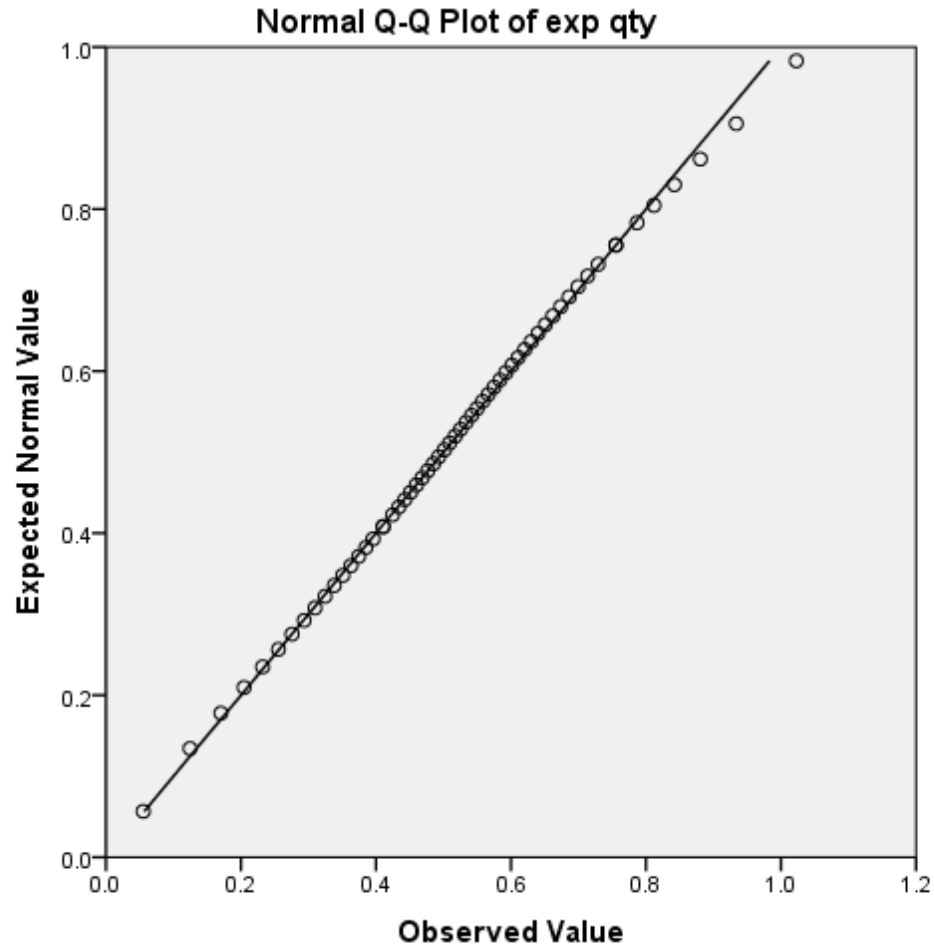
**Table 4.9 Test Glejser output for homoscedasticity evaluation**

| Model                        | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|------------------------------|-----------------------------|------------|---------------------------|-------|------|
|                              | B                           | Std. Error | Beta                      |       |      |
| 1 (Constant)                 | .064                        | .047       |                           | 1.355 | .181 |
| Product                      | .006                        | .024       | .043                      | .240  | .812 |
| Price                        | .006                        | .007       | .121                      | .815  | .419 |
| Place                        | -.008                       | .009       | -.158                     | -.907 | .369 |
| Promotion                    | -4.850E-06                  | .000       | -.091                     | -.577 | .566 |
| a. Dependent Variable: AbsUt |                             |            |                           |       |      |

#### 4.4.4 Test for normality

To test for normality, graphical assessment of normality was used. On a Q-Q plot data are normally distributed if the data points are close to the diagonal line. Figure 4.1 indicates that the data is normally distributed.

**Figure 4.1 Normality test on the dependent variable (Export Performance)**



#### 4.3.5 Correlational analysis

Spearman's rank order ( $r_s$ ) was used to analyze correlation between export performance and the four variables measuring marketing capabilities. The results are shown in table 4.10:

**Table 4.10 Correlational Matrix output**

| Spearman's Rho | EP        | Correlation Coefficient | Correlations |        |        |        |           |
|----------------|-----------|-------------------------|--------------|--------|--------|--------|-----------|
|                |           |                         | EP           | Prod.  | Price  | Place  | Promotion |
|                |           |                         | 1.000        | .772** | .587** | .728** | .623**    |
|                |           | Sig. (2-tailed)         | .            | .000   | .000   | .000   | .000      |
|                |           | N                       | 59           | 59     | 59     | 59     | 59        |
|                | Prod.     | $r_s$                   | .772**       | 1.000  | .430** | .620** | .460**    |
|                |           | Sig. (2-tailed)         | .000         | .      | .001   | .000   | .000      |
|                |           | N                       | 59           | 59     | 59     | 59     | 59        |
|                | Price     | $r_s$                   | .587**       | .430** | 1.000  | .303*  | .392**    |
|                |           | Sig. (2-tailed)         | .000         | .001   | .      | .020   | .002      |
|                |           | N                       | 59           | 59     | 59     | 59     | 59        |
|                | Place     | $r_s$                   | .728**       | .620** | .303*  | 1.000  | .401**    |
|                |           | Sig. (2-tailed)         | .000         | .000   | .020   | .      | .002      |
|                |           | N                       | 59           | 59     | 59     | 59     | 59        |
|                | Promotion | $r_s$                   | .623**       | .460** | .392** | .401** | 1.000     |
|                |           | Sig. (2-tailed)         | .000         | .000   | .002   | .002   | .         |
|                |           | N                       | 59           | 59     | 59     | 59     | 59        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

In the table above, correlational analysis was performed for the combined data of the three years. Correlational analysis is depicted by the asterisks (\*). Spearman coefficient ( $r_s$ ) ranging from 0.00 to 0.1 is considered very weak , 0.2 to 0.39 is considered weak,

from 0.4 to 0.59 is considered moderate, 0.6 to 0.79 is strong and 0.8 to 1 is considered very strong, (O'Connell et al., 2016).

From table 4.3 above, export performance has a strong correlation with promotion strategy, place strategy and product strategy and is moderately correlated with price strategy.

Among the strategy, only promotion and place strategy showed strong correlation at 99% confidence level. The rest indicate weak to moderate correlation.

#### 4.5 Regression analysis results.

##### 4.5.1 Univariate analysis to determine the relationship between the independent variables with the dependent variable.

A simple linear regression was performed between export performance and each of the independent variable namely product strategy promotion strategy, price strategy and place strategy. This was done to determine relation between each of the independent variable and the dependent variable. The output is as shown below.

**Table 4.11 (a) Results for univariate regression analysis**

| Model Summary <sup>b</sup> |                   |                |                                  |                          |          |     |     |                  |                   |
|----------------------------|-------------------|----------------|----------------------------------|--------------------------|----------|-----|-----|------------------|-------------------|
| Predictors:<br>(Constant)  | R                 | R <sup>2</sup> | Std. Error<br>of the<br>Estimate | Change Statistics        |          |     |     |                  | Durbin-<br>Watson |
|                            |                   |                |                                  | R <sup>2</sup><br>Change | F Change | df1 | df2 | Sig. F<br>Change |                   |
| product                    | .711 <sup>a</sup> | .506           | .1423615                         | .506                     | 58.431   | 1   | 57  | .000             | 1.995             |
| promotion                  | .563 <sup>a</sup> | .317           | .1674740                         | .317                     | 26.409   | 1   | 57  | .000             | 2.299             |
| price                      | .586 <sup>a</sup> | .343           | .1642137                         | .343                     | 29.754   | 1   | 57  | .000             | 2.165             |
| place                      | .680 <sup>a</sup> | .462           | .1486017                         | .462                     | 48.940   | 1   | 57  | .000             | 2.590             |

b. Dependent Variable: Export Performance

From table 4.11(a) above, the F statistic for each variable ranges from 26 to 58, and all are the p value for each at 95% confidence level is zero. This indicates that all the models indicate a significant relationship between each independent variable of the marketing strategies and the dependent variable, Export performance. The R<sup>2</sup> of the product strategy is 0.507, indicating that it is a fairly good predictor of export

performance, explaining the relationship 50.7% of the times. The  $R^2$  of the other independent variables are all less than 0.5, meaning that on their own, they do not do a good job of predicting the dependent variable. The reason for this is the presence of other variables that may need to be considered along with each independent variable to have a causal effect on the dependent variable, export performance.

**Table 4.11 (b) Decision analysis for univariate regression.**

| Hypothesis | Variable  | Regression coefficients     |            |       |      |                |
|------------|-----------|-----------------------------|------------|-------|------|----------------|
|            |           | Unstandardized coefficients |            | T     | Sig  | Test           |
|            |           | B                           | Std. Error |       |      |                |
| H1         | Product   | 1.184                       | 0.25       | 26.05 | 0.00 | Fail to reject |
| H2         | Promotion | 0.0089                      | 0.00       | 5.139 | 0.00 | Fail to reject |
| H3         | Price     | 0.86                        | 0.16       | 5.455 | 0.00 | Fail to reject |
| H4         | Place     | 0.107                       | 0.15       | 6.996 | 0.00 | Fail to reject |

From table 4.11(b) Output from the regression analysis indicates that marketing mix strategies have positive relationships with export performance. Product strategy influenced export performance most while promotion strategy influenced export performance least. Further regression was performed to determine a joint correlation between the marketing strategies and export performance.

#### 4.4.2 Multivariate analysis to determine the relationship between the marketing mix strategies and export performance.

The main objective was to determine whether the marketing mix strategies, namely price, product, place and promotion had a joint relationship with export performance. Multiple ordinary least squares regression was performed on data for three years, 2014-2016 to establish whether significant relationship existed.

The table below shows the results of the analysis.

**Table 4.12 Results of the multiple regression analysis**

| Model Summary <sup>b</sup> |                   |          |                   |                            |                   |          |     |     |               |               |
|----------------------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| Model                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               | Durbin-Watson |
|                            |                   |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |               |
| 1                          | .855 <sup>a</sup> | .730     | .710              | .10809                     | .730              | 36.549   | 4   | 54  | .000          | 1.904         |

a. Predictors: (Constant), Promotion, Place, Price, Product

b. Dependent Variable: Export Performance

The model summary shows the R values of the analysis. R value shows how well the model describes the relationship. In this case, the model explains 85.5% of the data (R). R<sup>2</sup> indicates that 73.0% of the variability of export performance is explained by product, price, place and promotion strategies. Adjusted R<sup>2</sup> is there to correct any overestimation of errors in the variation and in this model 71% of total variability in the dependent export performance can be explained by product, price, place and promotion strategies.

**Table 4.13 ANOVA Table**

| ANOVA <sup>a</sup> |            |                |    |             |        |                   |
|--------------------|------------|----------------|----|-------------|--------|-------------------|
| Model              |            | Sum of Squares | df | Mean Square | F      | Sig.              |
| 1                  | Regression | 1.708          | 4  | .427        | 36.549 | .000 <sup>b</sup> |
|                    | Residual   | .631           | 54 | .012        |        |                   |
|                    | Total      | 2.339          | 58 |             |        |                   |

a. Dependent Variable: Export quantities

b. Predictors: (Constant), Promotion, Place, Price, Product

Results from table 4.13 provides statistics about the overall significance of the model. The table shows an F statistic of 36.549 with a p-value of 0.000 which was less than 0.05. This means that the null hypothesis was rejected and a conclusion made that there was significant joint influence of the independent variables (Marketing mix strategies) to explain the dependent variable (Export Performance).

**Table 4.14 Tests of significance**

| Coefficients <sup>a</sup> |            |                             |            |                           |      |
|---------------------------|------------|-----------------------------|------------|---------------------------|------|
| Model                     |            | Unstandardized Coefficients |            | Standardized Coefficients | Sig. |
|                           |            | B                           | Std. Error | Beta                      |      |
| 1                         | (Constant) | .137                        | .135       |                           | .316 |
|                           | Product    | .118                        | .038       | .293                      | .003 |
|                           | Promotion  | -.952                       | .574       | -.135                     | .103 |
|                           | Place      | .060                        | .014       | .384                      | .000 |
|                           | Price      | .048                        | .012       | .326                      | .000 |

a. Dependent Variable: Export quantities

In table 4.14, an assessment of the significance of each parameter in the model was done. From this table, the beta values were used to formulate the regression model with the following equation:

$$\text{Export Performance} = 0.137 + 0.118 \text{ Product} + 0.0480 \text{ Price} + 0.060 \text{ Place} - 0.952 \text{ Promotion}$$

Where 0.137 is the constant value of export performance when all the marketing strategies equal zero;

0.118 is the coefficient for Product strategy. For every unit increase in product management, we expect an increase of export quantities by 0.118 units;

0.0480 is the coefficient for Price strategy. For every unit increase in price management, we expect an increase in export performance by 0.0480 units;

0.0547= coefficient for Place strategy. For every unit increase in Place management, we expect an increase in export performance by 0.0547 units;

-0.952 is the coefficient for Promotion strategy. For every unit increase in promotion management, we expect a decrease in export performance by -0.952 units.

The beta coefficients of the marketing strategy explained above had a positive relationship with export performance except for the constant and promotion strategy.

Place, product and promotion strategies were positively significant in the model. Promotion strategy was not statistically significant.

After eliminating the insignificant variables from the model, the final regression model was as shown below:

$$\text{Export Performance} = 0.137 + 0.118 \text{ Product} + 0.048 \text{ Price} + 0.06 \text{ Place}$$

The study further compared the relationships between the independent variables against the dependent variables for individual and joint interactions. The results were summarized in Table 4.15.



**Table 4.15 Summary of univariate and multivariate analysis**

|           |      | Univariate analysis         |            |      |                              | Multivariate analysis       |            |      |                      |
|-----------|------|-----------------------------|------------|------|------------------------------|-----------------------------|------------|------|----------------------|
| Variable  | sign | Unstandardized coefficients |            | Sig. | Hypothesis test/ Actual Sign | Unstandardized coefficients |            | Sig  | Hypothesis test/sign |
|           |      | B                           | Std. Error |      |                              | B                           | Std. Error |      |                      |
| Product   | (+)  | 1.184                       | 0.25       | 0.00 | Failed to reject(+)          | .137                        | .135       | .003 | Failed to reject(+)  |
| Promotion | (+)  | 0.0089                      | 0.00       | 0.00 | Failed to reject(+)          | -.952                       | .038       | .103 | Reject(-)            |
| Place     | (+)  | 0.86                        | 0.16       | 0.00 | Failed to reject(+)          | .118                        | .574       | .000 | Failed to reject(+)  |
| Price     | (+)  | 0.107                       | 0.15       | 0.00 | Failed to reject(+)          | .060                        | .014       | .000 | Failed to reject(+)  |

There is consistency in findings for both significance and direction in the relationship between export performance and product strategy, place and price strategy. Promotion strategy has a significant influence on export performance on its own but a negative and insignificant relationship when jointly regressed with the other marketing strategies. While the VIF test indicated inconsequential multicollinearity effects, the possible reason for the change in sign could be due to interactions from variables not factored in this study.

#### **4.6 Chapter conclusion**

This chapter illustrates how the data was analyzed in order to meet the objectives.

First, primary and secondary data was analyzed. A box-cox transformation was then carried out to normalize the data. Diagnostic tests were undertaken to test the violations of the OLS assumptions. Univariate analysis and multiple regression analysis performed to test the influence of the marketing capabilities on export performance. The multiple regression results showed a positive significant relationship between the marketing capabilities (Price, Product, and Place) and that promotion strategy had a negative but not significant relationship with export performance when relationship was tested on a joint analysis.

## **CHAPTER FIVE**

### **DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion of the findings, conclusions and recommendations derived from the study and existing literature. The overall objective of the study was to assess the association between marketing mix variables and export performance of the Kenyan avocado exporters. The chapter presents the discussions of the study, key conclusions and recommendations. It ends by presenting areas of possible further study.

#### **5.2 Discussion of the findings**

##### **5.2.1 Product strategy and export performance**

Product management aspects such as delivery of quality certified fruit to the export market was found to have a significant influence on the ultimate export performance of firms in Kenya. This is in line with prior studies such as Mavrogiannis et al., (2008), as cited in Moghaddam et al., (2011) and Leonidou, et al., (2002) who found that product factors had a direct relationship with export performance. Exporters from Kenya with quality certifications are more likely to export fruits that meet very high standards that are demanded by Europe markets and some traditional markets in the gulf. Ability to supply in these markets is likely to ensure sustained orders in the period under scrutiny hence the higher performance than its competitors. Avocado fruits that meet quality requirements by the markets also fetch better prices than its counterparts if not already rejected at the points of entry.

Exporters from Kenya, with the help of the government have been deliberately improving the availability and quality of their product on a project basis in the period of study, so that it is almost at par with world class standards (Baker, 2016). The government's effort to test for the fat quantities of avocados on a sample basis before they are shipped greatly reduces the product rejection rate at the ports of destinations and hence could be a pointer to perceived improved quality which leads the firm to secure more orders and increase its export performance.

### **5.2.2 Promotion strategy and export performance**

A firm's promotion strategy was found to have positive and significant influence on export performance of avocado exporters when considered on its own. Previous studies such as Adis, (2010) Blesa and Ripolle, (2008), Hultman et al., (2011) and Murray et al., (2011) converged on the same premise. They concluded that promotion attributes allows firms to utilize superior market knowledge from international customers that help in the design of strategies that lead to adjustments to market conditions that lead to persuade the customers to increase shipments and hence contribute to export performance.

For avocado exporters, the size of their budgets means that they can have a number of promotional strategies at their disposal to influence an increased number of customers to order their fruits.

The association between promotion strategy and export performance changes to be negative but not significant when considered jointly with other marketing strategies. This change in sign and statistical significance could be attributed to the reason that there could be more variables that affect export performance that could have been required to be present to interact with promotion strategies for it to be more effective in affecting EP positively but have not been considered. This relationship thus warrants further enquiry.

### **5.2.3 Place strategy and export performance**

Place strategy was found to have a positive and significant relationship with export performance. This supports the previous view by Al-Aali et al., (2013) and Morgan, Katsikeas, and Vorhies, (2012) who concluded that firms need to create effective and efficient delivery channels notwithstanding their size and export involvement.

Place strategy depicts how a firm has a grip on the control of the distributors, channel of distribution and delivery of the product by exporters. For the Kenyan exporters, their ability to maintaining close connections with key channel owners in the foreign operations is key to increasing their export performance.

### **5.2.4 Price strategies on export performance**

Price strategy was shown to have a significant positive relationship with the export performance of avocados in Kenya. This is in line with previous studies such as Lee and Griffith, (2004), Kamboj et al., (2015), and Tan and Sousa, (2015) who found that the price strategies can lead to increased market shares and profit levels based and hence export performance.

Despite selling avocados at a discount in the international markets, the ability of the exporters to vary prices according to seasons or in response to new information may explain their competitiveness in the international markets and hence a tool for improving market share and export performance.

## **5.3 Conclusion**

The influence of the four marketing strategies on export performance of avocado exporters in Kenya has been investigated in this study and shown to have mixed results from the study. These findings that marketing mix strategies of price, place and product

influencing export performance support the RBV theory that a firm with marketing mix strategies as internal resources enjoys superior performance.

Based on the joint analysis findings, product strategy has the highest beta coefficient of 0.118 and thus the greatest contributor to export performance of avocados in Kenya. Avocado export firms should therefore make product management a key strategy by investing in quality certifications and better fruit selection and before shipping of fruits and thereafter to transport them to their destinations in ways that leave their physical attributes desirable to their customers. The government should invest in improvement of the whole value chains to enable a suitable output of quality fruits.

Promotion strategy has mixed results when looked at individually and in joint association with the other marketing capabilities. Its effect cannot be ignored in export performance research, but it warrants further research, especially its impact on older markets.

Price strategy improves export performance, especially when the exporters ship their products off-season and command better prices than peak times.

Place strategy improves export performance because the larger the number of buyers the greater the quantities that are shipped per season. The newer methods of exporting that includes reefers help in increasing the quantities shipped to prime markets in Europe.

## **5.4 Recommendations**

The study shows that the Kenyan firms need to embrace and invest market driven strategies in order to gain competitive advantage increase export performance.

Marketing strategies lead to acquisition of knowledge about the market, such as better product attributes that are demanded. Marketing capabilities lead to better relationship building with customers that acts as source of future information about competitors and market requirements. Superior communication skills will enable the exporters to reduce the costs of negotiations and further improvement of export performance. The study found that improvement of quality as desired by the key markets should be a key priority by regulators who license the exporters. This will improve on the perception

that the products from Kenya are inferior and accord them the respect given to the competition. Development of a policy framework for increased number and certification of farmers and increased quality surveillance and physical inspections reduces the reject rates of fruits and give confidence to the market to take more product to the Eurozone market and to hold grip on the GCC market.

The pricing method should be flexible enough to contribute to low cost advantage, which would directly lead to improved market share going forward. More quality checks on export avocado products should be imposed in the off-peak period so that exporters can benefit from the better prices.

Promotional tools such as invitations to marketing expos abroad organized by the government are the most common tools for interaction with customers used by key exporters. These have yielded the results that are needed to address initial entry into markets but furthering improvement of export performance but are not adequate in addressing the shrinkage of the market. Kenyan exporters would prosper further if the effort to meet more customers in these markets and further in emerging markets such as the US, China and Russia were explored. The exporters would benefit if they cooperated by forming an association that handles market research and impactful promotion of the Kenyan avocado with one voice as do their South African counterparts.

The distribution system needs more improvements. Transportation systems are unreliable and expensive. Use of new fruit transport technology needs to be adopted by a larger number of smaller exporters so as to eliminate wastes and improve competitiveness, which reduces costs and enhances export performance.

## **5.5 Limitations to the study**

This study was conducted under certain constraints in terms of sampling and methods. The study was designed to examine the export performance of avocado firms which consistently and regularly engaged in exporting in the years 2014-2016. However, there

were only 67 exporters active in the three years. This hindered sampling efforts or stratifying the large exporters from the small ones. The research effort also suffered from low response rate as some of the respondents avoided sharing information about their companies for various reasons. Finally, it was hindered by the inability to access the top level management of some companies who were the most knowledgeable of the export capabilities of their companies. Despite these challenges, adequate data was gathered to enable the study to be conducted and achieve its objectives.

## **5.6 Areas for further research**

Further research can validate the results of this study based on exporters of more than one horticultural product and on a longer timescale than the period under investigation. Further studies could also be directed at examining the effect of other non-traditional types of marketing capabilities on export performance and finally the moderating effect of business environmental challenges.

## **5.4 Recommendations**

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This study was conducted under certain constraints in terms of sampling and methods. The hypotheses and conceptual framework was designed to test with avocado exporting firms which are consistently and regularly engaged in exporting in the years 2014-2016. However, there were only 67 exporters active in the three years. This also hindered sampling efforts or stratifying the large exporters from the small ones. The research

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## APPENDICES

### Appendix 1: Introduction letter

Dear Respondent,

I am a Masters of Commerce student at Strathmore University carrying out a research on **“Effect of Marketing Strategies on Export Performance: Evidence from Avocado Export Firms in Kenya”**

You have been selected together with others to participate in this research. Please be assured that any information collected through this questionnaire is confidential and will be used for research purposes only. You are kindly requested not to write your name anywhere on the questionnaire.

Yours sincerely,

Nicholas Njuguna

## **Appendix 2: Questionnaire**

### **Questionnaire on Effects of Marketing mix strategies on the Export performance of Avocado Firms**

Dear Respondent,

This study seeks to establish and inform the avocado exporters what mix of marketing strategies actually contribute to increased annual sales of avocados exported from Kenya.

You have been selected together with others to participate in this research. Please be assured that any information collected through this questionnaire is confidential and will be used for research purposes only. You are kindly requested not to write your name anywhere on the questionnaire.

**Thanking you in advance.**

#### **SECTION 1: BACKGROUND INFORMATION**

1. Name of the company\_\_\_\_\_ (Optional)
2. What is your position in the company\_\_\_\_\_
3. How many years has the company been in avocado export business\_\_\_\_\_
4. What is the number of employees in the avocado business of the firm?
  - a) Below 50
  - b) 50-100
  - c) 100-200
  - d) Over 200



## SECTION 2: MARKETING STRATEGIES: Product strategy

1. Do you subscribe to any local or international quality standards for Avocado exports? [Yes/No]
2. If so, which ones\_\_\_\_\_
3. Does your firm operate an out growers scheme? Yes ☐ No ☐
4. If so, how many out growers have you contracted? \_\_\_\_\_
5. Does your company own machinery to sort out quality and size required by markets?
6. Did your company ever market any “organic” varieties of avocado?

## SECTION 3: MARKETING STRATEGIES: Price strategy

1. What was the average price of avocado per kilogram for the years 2014, 2015, 2016 in your export market in [Kes/USD/Eur/Other?]

| Year                               | 2014 | 2015 | 2016 |
|------------------------------------|------|------|------|
| Price/Kg<br>(indicate<br>currency) |      |      |      |

2. How do you determine export prices?
  - a) We pre-negotiated with the customer
  - b) We take the price the markets offer
  - c) We determine the prices and require the customer to abide by it
  - d) Prices are determined by the market depending on the quality and seasonality
3. Our prices are \_\_\_\_\_ [higher/lower] than other competitors from other nations.

4. What months of the year do you export most?
5. Did your firm export avocado during the off-season? [August to October]
6. If so, how were the prices  
different?\_\_\_\_\_ (higher/lower)

#### SECTION 4: MARKETING STRATEGIES: Promotion strategy

1. What was your marketing budget in the following years (please indicate the cash amount spent)

| Year                               | 2014 | 2015 | 2016 |
|------------------------------------|------|------|------|
| Advertising budget in USD/Kes/Euro |      |      |      |

2. Please tick which of the promotional campaigns your firm was involved in the last three years:

| Activity                                      | 2014 | 2015 | 2016 |
|---|------|------|------|
| Advertising in overseas markets               |      |      |      |
| Attending food expos in overseas markets      |      |      |      |
| Door to door campaigns at major buyers abroad |      |      |      |
| We invest and utilize e-marketing             |      |      |      |

3. Do you give incentives to your overseas customers? If so, which ones?

## SECTION 5: MARKETING STRATEGIES: Place strategy

1. How do you ship your product your markets
  - a) We use airlines
  - b) We use sea transport
  - c) Rail/road
  - d) All of the above depending on the buyer
2. What is the average cost of delivering a shipment of avocados to your export destinations? [Euro/Kes/ USD\_\_\_\_\_]
3. How do you distribute your products in the export markets? Please indicate the percentage (%)
  - a) We Attract and retain the best distributors in the export venture market
  - b) We sell directly to retailers
  - c) We have our own shops abroad
  - d) Any other (please indicate)
4. How many distributors did you have in the years 2014-2016

|                        | 2014 | 2015 | 2016 |
|------------------------|------|------|------|
| Number of distributors |      |      |      |